What to Know

Your broker can help you determine if self-insurance is right for you. Here are some items to help your discussion.

Heads you win, tails you don't lose.

Terms

Just like with traditional health insurance there are certain terms you need to know when discussing fixed-cost self-funded medical coverage.

Claims Fund: the portion of your monthly payments set aside to cover claims. The rest of your monthly payments go towards stop-loss coverage, administration, operations, and to legally required fees and taxes.

Claims Fund Surplus: the unused dollars in your **claim fund** after eligible claims are paid out during the contract period.

Composite Rates: the cost of coverage is averaged over the entire group as opposed to varying by age. Each employee pays the same rate, adjusted only for the number of their dependents and location. Composite rating helps you better budget your benefit dollars.

Contract Period: the time during which eligible claims must be incurred and paid for in order to be eligible and covered by your benefit plan. The Protect Plans use a 12/18 contract period. This means eligible claims are those incurred during the **plan year** (12 months) and paid for no later than 18 months from the start of the plan year. The six months following the plan year is often called a **run-out** period. Claims submitted or remaining unpaid after this 18 month period are the insured's responsibility, not yours or the **stop-loss insurance** carrier's.

Fixed-Cost: a self-insured arrangement in which employers pay a set amount each month towards administration, stop-loss coverage and claims expenses, with no additional charges if claims are higher than anticipated.

Plan Year: the first 12 months of your coverage starting with your initial effective date or your renewal date.

Run-Out: the designated time following the **plan year** in which all claims must be submitted and paid. The Protect Plans offer a generous six months run-out.

Self-Funded or Self-Insurance: benefit arrangements in which the employer is responsible for claims payment instead of an insurance company. When claims are lower than anticipated, the employer gets the savings.

Stop-Loss Insurance: protects self-insured employers from excessive claims. There are two types: **specific** stop-loss steps in when any individual's claims exceed a specified amount; **aggregate** stop-loss pays eligible claims once your **claims fund** is exhausted. **Excess-loss insurance** is another name for this coverage.

Getting Your Refund

Getting refunds sounds good. But how do you get them? Simply.

It's your refund. You get it all.

Monthly Payments

It all begins with the plan year. Each month you'll make monthly payments that pay for administration and operating expense, stop-loss coverage, taxes and regulatory fees, and your claims fund.

The Claims Fund

Eligible claims—those covered by the benefit plan, incurred during your plan year, and submitted and paid for within the contract period—are reimbursed from your claim fund. If eligible claims exceed what's in the claims fund, it's not a problem. Stop-loss coverage pays them.

Your Refund

If claims paid out in the contract period are less than what you paid into your claims fund you receive a check for 100% of this surplus.

But what about?

Claim Timing: Not a Problem

Claims can pile up before you pay enough into the claims fund. Some programs make you pay the shortfall; an unanticipated hit to your bottom line. The Protect Plans protect you from this painful bill. We advance these claims costs, then apply future contributions to the claims fund to balance things out.

Claims Past the Contract Period

With self-funding, each plan year is distinct and separate. Claims incurred in one plan year cannot be paid out of another year's claims fund. Employees need to have claims paid by the end of the contract period. Late claims are their responsibility to pay, not yours or the stop-loss carrier.

Underwriting Matters

When it comes to self-funded coverage, assessing the health and likely claims for your group is critical.

Underwriting determines your monthly charges for expected claims. Your refund is based on the difference between actual claims and those expected claims.

That's why groups applying for self-funded coverage are fully underwritten. All employees and their dependents will be asked to answer health questions—and it's critical they provide complete and accurate answers. Otherwise the stop-loss carrier may modify your rates or treat claims related to these undisclosed conditions as ineligible (this is called "lasering.") Members are responsible for all claims related to any lasered condition.

Consult Your Broker

The Protect Plans can deliver tremendous benefits to employers, both large and small. Simple and safe, they feature competitive rates, offer the opportunity—and provide tools—for earning refunds, all while helping employees improve and manage their health. Your broker understands your needs and the options available to you. As important, your broker can help you understand the responsibilities and obligations that come with the benefits of a fixed-cost self-funded medical plan.